

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Walkerville Area Fire and Rescue Department	County Oceana
Audit Date 2/28/05	Opinion Date 2/27/06	Date Accountant Report Submitted to State: 2/28/06	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

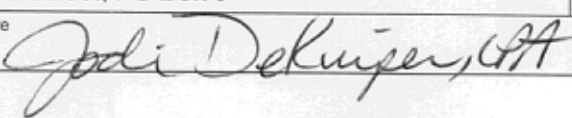
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 West Main Street, PO Box 9	City Fremont	State MI	ZIP 49412
Accountant Signature 		Date 2/28/06	

**WALKERVILLE AREA FIRE AND
RESCUE DEPARTMENT**

**OCEANA COUNTY
AUDIT REPORT**

FOR THE YEAR ENDED FEBRUARY 28, 2005

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Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Board of Directors
Walkerville Area Fire and Rescue Department
Walkerville, Michigan 49459

Independent Auditor's Report

We have audited the accompanying financial statements each major fund and the aggregate remaining fund information of the Walkerville Area Fire and Rescue Department, Oceana County, Michigan, as of February 28, 2005, and for the fiscal year then ended, which collectively comprise a portion of the Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial positions of its governmental activities and business-type activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amount that would be reported in government-wide financial statements for the Department's governmental activities and business-type activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Walkerville Area Fire and Rescue Department at February 28, 2005 or the changes in its financial position for the year then ended..

The budgetary comparison information on page 9 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Hendon & Slate

Hendon & Slate, P.C.
Certified Public Accountants
February 27, 2006

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WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Governmental Fund Balance Sheet February 28, 2005

	General <u>Fund</u>
ASSETS	
Cash and Equivalents	\$ <u>145,602</u>
Total Assets	<u>\$ 145,602</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts Payable	\$ <u>-</u>
Total Liabilities	-
Fund Equity	
Fund Balance - Undesignated	97,956
Fund Balance - Designated	<u>47,646</u>
Total Fund Equity	<u>145,602</u>
Total Liabilities and Fund Equity	<u>\$ 145,602</u>

The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Statement of Governmental Revenues, Expenditures and Changes in Fund Balance For the Year Ended February 28, 2005

	Governmental <u>Fund Types</u> General <u>Fund</u>
Revenues	
Contributions from Local Units	\$ 166,861
Charges for Services	12,500
Donations	2,600
Reimbursements and Other	<u>1,700</u>
Total Revenues	183,661
Expenditures	
Public Safety	<u>142,450</u>
Excess Revenues Over (Under) Expenditures	41,211
Fund Balance - Beginning	<u>104,391</u>
Fund Balance - Ending	<u><u>\$ 145,602</u></u>

The Notes to the Financial Statements are an integral part of this statement.

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Notes to the Financial Statements
February 28, 2005

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Walkerville Area Fire and Rescue Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Walkerville Area Fire and Rescue Department, except that the Department did not elect to adopt GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State and Local Governments*.

a. Reporting Entity

The entity is organized as a Fire Department whose purpose is to provide fire protection for the Village of Walkerville and the Townships of Elbridge, Colfax, Beaver, Troy, and Leavitt. The Fire Department is governed by a Board whose membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Equalized Valuation.

b. Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Revenues that are both measurable and available are recorded when earned. All other revenue items are considered to be available only when cash is received by the Department.

The Department reports the following major governmental funds:

The General Fund is the Department’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Notes to the Financial Statements (Continued)

d. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the fund financial statements.

Capital Assets - Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) have not been reported by the entity. If the capital assets were reported, the amount would be reported on the government-wide financial statements.

NOTE B RISK MANAGEMENT

The Department is exposed to various risks of loss related to property loss, torts, errors and omissions, as well as employee injuries. The Department maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Department. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE C STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended February 28, 2005, the Department did incur material overexpenditures in the following funds:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Salaries	\$ 26,900	\$ 28,070	\$ (1,170)

In the body of the financial statements, the Department's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund were adopted at the line item level.

NOTE D CASH AND CASH EQUIVALENTS

Legal or Contractual Provisions for Deposits and Investments - The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 217, Public Acts of 1982, states the Department, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (2).
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 81a-1 to 801-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Types of Deposits and Investments. The Fire Department maintains all of its surplus cash in a local bank in the form of time and demand deposits. All of which is in accordance with statutory requirements. The Department holds the following deposits:

Note to the Financial Statements (Continued)

	<u>Fair Market Value</u>			
	<u>Demand</u>	<u>Time</u>	<u>Total</u>	<u>Carrying</u>
	<u>Deposits</u>	<u>Deposits</u>		<u>Value</u>
Insured (FDIC) - Checking	\$ 1,062	\$ -	\$ 1,062	\$ (7,093)
Insured (FDIC) - Savings	-	105,049	105,049	105,049
Insured (FDIC) - Apparatus Checking	<u>47,646</u>	<u>-</u>	<u>47,646</u>	<u>47,646</u>
Total	<u>\$ 48,708</u>	<u>\$ 105,049</u>	<u>\$ 153,757</u>	<u>\$ 145,602</u>

NOTE E CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions for the year ended February 28, 2005:

Equipment Loans	<u>Truck</u>	<u>Equipment</u>	<u>USDA</u>
Balance - March 1, 2004	\$ 16,708	\$ 8,004	\$ 225,000
Payments on Principal	<u>8,135</u>	<u>3,891</u>	<u>11,000</u>
Balance - February 28, 2005	<u>\$ 8,573</u>	<u>\$ 4,113</u>	<u>\$ 214,000</u>

	<u>Truck Loan</u>		<u>Equipment Loan</u>		<u>USDA Loan</u>	
<u>Year</u>	<u>Payment</u>	<u>Principal</u>	<u>Payment</u>	<u>Principal</u>	<u>Payment</u>	<u>Principal</u>
2/28/06	\$ 9,035	\$ 8,573	\$ 4,322	\$ 4,113	\$ 21,163	\$ 12,000
2/28/07	-	-	-	-	21,587	13,000
2/28/08	-	-	-	-	20,963	13,000
2/28/09	-	-	-	-	21,340	14,000
2/28/10	-	-	-	-	21,668	15,000
2011-2015	-	-	-	-	107,067	85,000
2016-2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,830</u>	<u>39,000</u>
Total	<u>\$ 9,035</u>	<u>\$ 8,573</u>	<u>\$ 4,322</u>	<u>\$ 4,113</u>	<u>\$ 255,618</u>	<u>\$ 191,000</u>

WALKERVILLE AREA FIRE AND RESCUE DEPARTMENT

Required Supplementary Information Budgetary Comparison Schedule - General Fund For the Year Ended February 28, 2005

	Originally Adopted <u>Budget</u>	Final Amended <u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Revenues				
Contribution from				
Local Units	\$ 171,971	\$ 171,971	\$ 166,861	\$ (5,110)
Charges for Services	12,500	12,500	12,500	-
Reimbursements & Other	2,500	2,500	1,700	(800)
Grants	<u>-</u>	<u>-</u>	<u>2,600</u>	<u>2,600</u>
Total Revenues	186,971	186,971	183,661	(3,310)
Expenditures				
Salaries and Wages	28,700	26,900	28,070	(1,170)
Payroll Taxes	3,000	3,000	2,147	853
Recruitments/Retention	3,000	3,000	1,770	1,230
Supplies				
Office	1,500	1,500	738	762
Operating	5,000	4,500	2,599	1,901
Gas and Oil	2,500	2,500	662	1,838
Fire Prevention	1,500	1,500	1,074	426
Audit and Legal	1,750	250	-	250
Training, Travel, Licensing	6,000	6,000	3,756	2,244
Insurance	13,000	13,800	14,104	(304)
Utilities	5,000	5,000	3,593	1,407
Repair and Maintenance				
Truck	5,000	3,500	1,838	1,662
Radio	5,000	5,000	3,833	1,167
Building	20,000	26,000	25,691	309
Equipment	5,000	5,500	5,228	272
Rent	100	100	-	100
Dues and Subscriptions	1,500	1,500	1,245	255
Capital Outlay-Major Equip.	12,500	12,500	11,099	1,401
Debt Service-Principal	26,000	26,000	24,381	1,619
Debt Service-Interest	13,500	13,500	10,622	2,878
Contingency/Apparatus	<u>26,500</u>	<u>24,500</u>	<u>-</u>	<u>24,500</u>
Total Expenditures	<u>186,050</u>	<u>186,050</u>	<u>142,450</u>	<u>43,600</u>
Excess Revenues Over (Under) Expenditures	<u>\$ 921</u>	<u>\$ 921</u>	41,211	<u>\$ 40,290</u>
Fund Balance - Beginning of Year			<u>104,391</u>	
Fund Balance - End of Year			<u>\$ 145,602</u>	



Hendon & Slate, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



February 27, 2006

Board Members
Walkerville Area Fire and Rescue Department
Walkerville, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of the Walkerville Area Fire and Rescue Department, for the year ended February 28, 2005, we considered internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and do not provide assurance on the internal control structure.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated on February 27, 2005, on the financial statements of the Walkerville Area Fire and Rescue Department. Our comments are summarized as follows:

Payroll

We again noted that there were problems with the payroll reporting. The information provided us indicated that the wages were being reported on the Form 941 in the quarter being paid, however, the Form W-2 appears to have missed reporting the wages from the Form 941 for the first quarter in 2004. As a reminder, Form 941 should be filed for every quarter in the year. If no wages were paid during the quarter, the lines should indicate zero balances. Also, the wages reported on all Form W-2s should total the amounts reported as wages for all Form 941s reported during the year. We also noted there were some IRS notices paid during the year. Again, we recommend that the payments be made in a timely manner for each payroll in accordance with the IRS requirements. We would be happy to assist you with further information, if needed.

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Books and Records

We had difficulty receiving information for preparing the audited financial statements for the year ended February 28, 2005. The original information was provided in the fall of 2005. However, when additional information was requested, that was not received until January, 2006. Some of this difficulty was as a result of having two individuals involved in the record keeping. Another part of the difficulty was in the records provided, which did not meet the requirements for accounting records within the guidance of the State of Michigan. At a minimum, the entity should provide a cash receipts and disbursements journal in addition to the financial reports provided to the Board during the year. We recommend that these journals and reports be provided with the accounting records for the year for the next audit engagement.

Investment policy

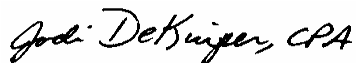
We are pleased to note that the entity approved an investment policy during the period since that last audit.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

As we noted after the last audit, the Department was required to adopt the Governmental Accounting Standards Board Number 34 before this year's audit. Due to the lack of information provided, as indicated in the previous paragraphs, the Department appears to have not adopted this GASB guidance. As a result, the letter to the audited financial statements indicate that our opinion of the financial statements is that they do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department. If the Department wishes to have a "clean" opinion in the future, additional information will need to be provided for the audit. The most important information would include a detailed list of the Department's fixed assets (including the estimated purchase price and date of purchase and the estimated life of the assets). In addition, a Management's Discussion and Analysis (MD&A) will be required. The MD&A is prepared by the chief administrative officer (Chief) and would include analysis and descriptions of significant changes over prior years, condensed presentation of current and prior year financial information and other descriptions of facts, conditions, or decisions which management expects did or will have a significant effect on the financial statements.

We would be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Thank you for the courtesy extended to us during our audit.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, PC